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# Corporate Governance Committee Report

The Corporate Governance Committee, as assigned by the Board of Directors, is responsible for supervising corporate governance activities of the Bank, and for promoting corporate governance initiatives among subsidiaries of the KASIKORNBANKGROUP in compliance with the Statement of Corporate Governance Principles of supervisory agencies of KGroup and international standards.

In 2006, the Corporate Governance Committee organized 5 meetings, altogether, in order to discharge its duties and responsibilities, prescribed under the Corporate Governance Committee Charter. Attention was duly paid to the development and promotion of corporate governance activities, formulation of a policy on Environmental and Social Responsibility, review of actions in compliance with the Statement of Corporate Governance Principles, and endorsement of actions promoting corporate governance.

The continuing efforts of KASIKORNBANK in promoting and developing corporate governance practices have been recognized and commended publicly, as represented by several awards of distinction, notably the "Best Corporate Social Responsibilities (CSR) Award" and

"Distinction in Maintaining Excellent Corporate Governance Report Award" for the year 2006, both presented by the Stock Exchange of Thailand (SET). In addition, the Bank has been honored as one of the top exemplary companies for its use of best practices in the Annual General Meeting arrangement, by the Office of the Securities and Exchange Commission (SEC). The Bank is also classified at an excellent level for corporate governance, according to a rating conducted by the Thai Institute of Directors Association (IOD) in 2006.

The Bank truly believes that our development of corporate governance will lay down a generally solid foundation for both all related parties and the KASIKORNBANKGROUP.



(Pol. Gen. Pow Sarasin)

Chairman of the Corporate Governance Committee  
January 25, 2007

## Corporate Governance Policy

KASIKORNBANK (KBank) places great importance on good corporate governance, which is held as an essential element for sustainable business undertakings of the Bank and KASIKORNBANKGROUP (KGroup). The Statement of Corporate Governance Principles has been revised and approved by the Board of Directors of the Bank. The principles, in writing, have been aimed primarily at communicating to all employees of the Bank, shareholders and other stakeholders the ultimate goal of the Board of Directors to act in accordance with the seven major components of corporate governance, consisting of the following:

- Integrity
- Transparency
- Independence
- Accountability
- Responsibility
- Fairness
- Social Responsibility

The content of the Bank's Statement of Corporate Governance Principles covers the structure, composition, role, duties and responsibilities of the Board of Directors and all Board Committees, as well as the matters of risk management, internal control system, Code of Conduct, inside information policies, conflict of interest and shareholder relationships. (Details on the Statement of Corporate Governance Principles are also available at [www.kasikornbankgroup.com](http://www.kasikornbankgroup.com).)

The Corporate Governance Policy has also been harmoniously integrated into the vision, mission, core values, Statement of Business Conduct and Code of Conduct for all employees, which are reflected in operational guidelines and directions adopted internally to ensure that the Bank has adequately followed best practices in corporate governance.

All members of the Board of Directors are aware of their mutual responsibilities in working towards the highest benefit to the Bank, and their role in supervising all businesses and decision-making processes to ensure transparency and fair treatment of all stakeholders. In addition, the Bank places great importance on fairness in every business undertaking, environmental and social action. The Bank

and its employees have strictly adhered to the Code of Conduct in performing their duties to society and environmental conservation. The Bank has also been enthusiastically participating in corporate social responsibility activities in recognition of the need to improve the quality of life of people at large.

## Legitimate Rights and Equality of Shareholders

Recognizing the importance of shareholders, KBank treats its shareholders equally and fairly in line with regulatory requirements. The basic rights of KBank's shareholders include the right to participate in shareholders' meetings, the right to appoint a third party as a proxy for participating in and voting at the meetings, the right to nominate candidates for the Board of Directors, and the right to participate in the election or disqualification of an individual director. Shareholders' rights also include voting on the annual audit fees and appointment of external auditors, and voting for various other businesses of KBank, eligibility for dividend payments, as well as the right to express an opinion and the opportunity to raise questions during shareholders' meetings, and the right to receive sufficient and up-to-date information on a timely basis.

The General Meeting of Shareholders shall be held within four months after the financial closing. The Bank arranges transparent and efficient meeting procedures and sends out a notice to all shareholders at least 14 days in advance, which is also disclosed on the Bank's website at least 30 days before a scheduled meeting of shareholders. Attached to the notice will be sufficient information for voting on every agenda item, each of which shall be identified clearly as either for acknowledgement or consideration, as the case may be, together with comments by the Board on particular issues.

In addition, the notice must clearly inform all shareholders of all documents required to maintain their legitimate rights for participating in the meeting and a Proxy Form to appoint proxies to the meeting. Proxies can be

third parties, or the Chairman of the Board, or the Chief Executive Officer, or the President or any independent directors. At least one hour before the meeting begins, the Bank will facilitate shareholder registration for the meeting.

At the meeting, the Bank will inform all shareholders of the voting and vote-counting procedures, and during the consideration of each agenda item, all shareholders will have equal rights in expressing ideas, making comments and asking questions at an appropriate time. The voting and vote-counting procedures will be conducted openly and efficiently, counting one share as one vote. Approval of a resolution shall be based on a majority of votes, except for special resolutions, which require approval by no less than two-thirds or three-fourths of all votes by eligible voters present at the meeting. Each participant shall cast his/her votes on ballots only in opposition, abstention or for a split vote, and the ballots will be kept for reference by officials from a legal advisory firm. In preparing the minutes of the meeting, the Bank shall clearly show total votes in approval, opposition or abstention on each agenda item. These total votes will be recorded in writing, together with questions raised on every agenda item, plus clarifications and comments made at the meeting.

The Bank also emphasizes the disclosure of accurate, complete, timely and transparent information to shareholders, and information updates are regularly provided on the Bank's website in three languages, i.e., Thai, English and Chinese, as well as being provided to the public media.

## Rights of Stakeholders

The Bank places particular emphasis on the rights of all stakeholders, both internal stakeholders, i.e., shareholders, the Board of Directors, and employees of the Bank and its subsidiary companies, as well as external stakeholders, i.e., customers, counter-parties, creditors, competitors, and related government agencies, including its commitment to the community, the society and the environment.

In order to ensure the rights of stakeholders, the Bank has established a Statement of Business Conduct

and Code of Conduct for all employees in writing and disseminated them through the Bank's website, newsletters and KASIKORNTV for strict adherence by directors, executives and employees at all levels. In addition, the Bank has assigned the Compliance Department to monitor actions for compliance, and to periodically report to the Corporate Governance Committee for acknowledgement. All departments responsible for various types of KBank and KGroup products must strictly abide by the principles therein.

Moreover, the Bank has opened channels for stakeholders to communicate, advise or give suggestions to the Board of Directors through Independent Directors according to the Bank's procedures as stated on its website.

**Shareholders:** One of KBank's ultimate goals is to ensure favorable and sustainable growth, with solid viability and due consideration to both current and future risks to ensure the highest value to our shareholders over the long term. Its primary duty is to be steadfast in business, disclose all information fairly and transparently, and use its best efforts to protect its assets and reputation.

**Board of Directors:** The Board of Directors is fully aware of the rights of stakeholders and undertakes measures to ensure that these rights are protected, and that stakeholders are treated equally and fairly.

**Employees:** KBank's employees are seen as a valuable asset. The Bank continues to seek capable and experienced personnel in line with its growth and demand in the organization. Necessary training programs have been continuously provided to upgrade employees' capabilities, with appropriate remuneration comparable to that offered by other leading companies. A favorable business culture and atmosphere have been promoted in the workplace, together with fair and equal treatment for all employees. The Bank recognizes the need to provide proper welfare and security for its employees, reflected in such benefits as the establishment of a provident fund, and scholarships for employees and their children, as well as practices such as fire drills and installation of fire prevention systems, among other efforts, to ensure their safety and security.



Employee training at the KBank Learning Center, Chachoengsao Province

**Customers:** The Bank aims to promote customer satisfaction through the offering of high-quality products and services. It recognizes the importance of customers, paying due attention to them, and more importantly, protecting their confidential data, as well as providing the opportunity for customers to express their opinions and arranging for responsible persons to handle their complaints.

**Counter-Parties:** The Bank respects actions in accordance with contracted terms and conditions in trade, in fair and acceptable competition, without any dishonesty.

**Competitors:** The Bank observes fairness in competition and avoids all dishonest methods of compromising competitors.

**Creditors:** The Bank abides by lending terms and conditions, and by all legitimate duties to creditors, especially account payables, debenture holders and depositors. It is the duty of the Bank to clearly explain to customers all possible risks involved with non-deposit services.

**Responsibility to the Community, Society and the Environment:** KBank acts as a good citizen, being non-partisan, and unaligned with any political party. It bears in mind its role and responsibility to community, environment and society, hence contributing to charitable activities and promoting a healthy environment in communities and the society at large, for better living standards. The Bank recognizes the importance of sound environmental protection through continuing efforts and activities, as shown in the Annual Report.

The Bank has also specified other procedural guidelines, as follows:

**Fairness:** The Bank believes in fairness to all parties having any business relationship with the Bank, and will do its best to avoid any bias or event that would lead to a conflict of interest.

**Ethics:** The Bank adheres to its Statement of Business Conduct and integrity in every business endeavor it pursues.

**Professionalism:** KBank maintains professional standards, aiming high for superb quality integrated with modern and sophisticated technology.

**Responsiveness:** KBank keeps itself ready for any change in customer needs, as well as changes in society, economy and technology, present and future.

**Discipline and Compliance:** The Bank pursues business with discipline and ethical principles, and certifies that its business operations comply with laws, rules and regulations, its Statement of Business Conduct and Code of Conduct for employees.

## Annual General Meeting of Shareholders

Board of Directors Meeting No. 2/2006, on February 23, 2006, resolved to have the 2006 Annual General Meeting of Shareholders scheduled for April 7, 2006. After that resolution, the meeting date was announced on the website of the Stock Exchange of Thailand. The Bank also arranged for delivery of the notice of the general meeting of shareholders, containing the complete agenda – in compliance with regulatory statutes, the Stock Exchange of Thailand's requirements and the Bank's Articles of Association – together with proxy forms and a complete set of meeting documentation and other details to shareholders not less than 14 days prior to the meeting date. In addition, the Bank also placed the meeting notice in Thai daily newspapers for at least three consecutive days prior to the meeting date. On the meeting date, the Bank arranged for staff to facilitate registration of shareholders and/or their proxies using a barcode registration system, and handed out printed ballots to each shareholder for voting on each meeting agenda item.



Annual General Meeting of Shareholders at KBank's head office

In the previous General Meeting of Shareholders, the Chairman of the Board acted as the Chairman of the meeting, which was also attended by the Chief Executive Officer, the President, and the Chairmen of all Board Committees. Altogether there were 14 directors in attendance:

1. Mr. Banyong Lamsam  
Chairman
2. Pol. Gen. Pow Sarasin  
Vice Chairman
3. Mr. Banthoon Lamsam  
Director
4. Dr. Prasarn Trairatvorakul  
Director
5. Mr. Sukri Kaocharearn  
Director
6. M.R. Sarisdiguna Kitiyakara  
Director
7. Mr. Somchai Bulsook  
Director
8. Ms. Sujitpan Lamsam  
Director
9. Professor Khunying Suchada Kiranandana  
Director
10. Professor Dr. Yongyuth Yuthavong  
Director
11. Dr. Abhijai Chandrasen  
Director
12. Mr. Charles L. Coltman, III  
Director
13. Mr. Chaisak Saeng-Xuto  
Director
14. Dr. Schwin Dhammanungune  
Director

Consideration of items and voting were conducted in order of the announced agenda. This included consideration of the appointment of individual directors and their remuneration, together with consideration of the appointment of external auditors and the audit fees to be approved by the meeting. During the meeting, apart from related meeting documents, the Bank also presented information on using a video presentation system and provided English translations for foreign shareholders. The Chairman of the meeting provided the opportunity for shareholders to inquire about various matters and express their opinions, which were answered and supplemented with additional information. Voting and vote-counting procedures were conducted in a transparent manner. Comprehensive minutes of the meeting were recorded, along with details of the voting on each agenda item. The minutes of the meeting were sent to official regulatory agencies within 14 days after the shareholders' meeting, and were presented to shareholders for their acknowledgement as well as being posted on the Bank's website.

In addition, to promote corporate governance, the Bank has provided the opportunity for shareholders to propose matters of importance to the Bank in advance, which will be considered to agenda items for the 2007 General Meeting of Shareholders. Shareholders will also be allowed the opportunity to propose qualified persons for directorship positions to be considered at the 2007 General Meeting of Shareholders, based on criteria posted on the Bank's website.



The Annual General Meeting of Shareholders

## Leadership and Vision

At KBank, the Board of Directors, which is knowledgeable and experienced, approves the Bank's vision, mission and strategies, and considers for approval matters pertaining to the business direction and policies, including the annual business plan and budget. The Board is also responsible for supervising management actions to ensure that they are consistent with the approved policies and business plans, as well as in compliance with laws and regulations of all relevant governmental agencies, and the resolutions of General Meetings of Shareholders. The Board of Directors, with unbiased independence in judgment, makes determinations based on the best interests of the Bank and all stakeholders for a higher economic value of the Bank.

In addition to the above, the Bank ensures that it has the internal control and risk management systems appropriate and sufficient for current business operations. The Board works in close consultation with the management, continuously striving for the best in performance, taking into consideration current and future risks, and in a manner consistent with the vision, missions, Statement of Business Conduct and Statement of Corporate Governance Principles of KBank.

## Conflict of Interest Prevention

To promote corporate governance and meet targets related to its implementation, the Bank has initiated guidelines to control, supervise and prevent transactions that may involve a conflict of interest, and to ensure that connected or related transactions are in compliance with standards of good governance. This is one of the key components under the Code of Conduct that directors and the Bank's employees must strictly comply with in order to earn the trust of all stakeholders. The following is the essence of these principles:

- The Board of Directors has established policies and regulations to prevent any conflict of interest, as well as see that connected or related transactions meet the scrutiny of the Audit Committee, and ensure compliance with the criteria of the Stock Exchange of Thailand, the Office of the Securities and Exchange Commission and the Bank of Thailand.

- To prevent a conflict of interest, directors, staff and related personnel are forbidden from deriving personal benefits from transactions made with the Bank, or from the approval of such transactions, and the price of products and services in connected or related transactions must be properly defined in a manner consistent with that offered to general customers.
- Connected transactions required in the course of business must be submitted to the Audit Committee for consideration before further submission to the Board of Directors for approval, according to Stock Exchange of Thailand regulations.
- For investment approvals in businesses that the Bank, or any of its directors, or the Bank's high-level executives, may derive benefit from, or approvals on loans to directors, major shareholders, or the Bank's high-level executives, such transactions may proceed only upon the unanimous approval of a Board meeting, but without the attendance or vote of the involved directors or high-level executives, as related persons affected by such approvals. The amount of loan must not exceed a reasonable amount and may not be granted special terms or conditions, as prescribed by the Bank of Thailand.
- The Bank has disclosed the details of related or connected transactions that may involve any conflict of interest according to the criteria of the Stock Exchange of Thailand and the Securities and Exchange Commission in the Annual Reporting Form (56-1 Reporting Form), as well as in the Bank's Annual Report and other reports declaring such activities. This also includes disclosures of information on connected transactions according to the Stock Exchange of Thailand regulations, as well as disclosures of related transactions of the Bank according to the recognized accounting standards and the rules of the Bank of Thailand. Disclosures of connected transactions are shown in the Notes to Financial Statements, under 'Related Party Transactions'.

- Reviews of connected transactions must be carried out in accordance with the audit plan and be reported to the Audit Committee. Should the Bank become involved in any related transactions, directors and employees must follow the above policies in accordance with the regulatory requirements.

### **Rules on Proper Use of Inside Information**

To promote corporate governance and meet targets related to its implementation, the Bank has established regulations to supervise the use of inside information, regulations concerning securities trading of staff members that are in compliance with securities trading laws. Those regulations are reviewed constantly, the essence of which is summarized in the following:

- All operational units must set up a system to maintain inside information under proper supervision.
- Staff are prohibited from buying, selling, transferring or accepting the transfer of securities in any manner that may take advantage of outsiders by using inside information that may have a significant effect on the price of securities and has not been disclosed to the public or the Stock Exchange of Thailand, though they have become aware of such information in their capacity as employees of the Bank. Such actions are prohibited whether to favor themselves or others, or to reveal such information to others to do or receive benefit thereof.
- The Bank has regulated that the directors, officers from the position of Executive Vice President, and those in the position of Department Head, or equivalent in the Finance and Control Division to report their ownership of securities issued by the Bank, including those under ownership of their spouses and minor children. Moreover, they have to report every change in the holding of securities issued by the Bank, i.e. purchase, sale, transfer and acknowledgement of transfer, as regulated by the Office of the Securities and

Exchange Commission (SEC). Furthermore, the Bank has regulated that all personnel who have access to significant inside information, under the criteria as above, shall report their ownership of securities issued by the Bank, including those under possession of their spouses and minor children to the compliance unit of the Bank.

- Concerning the supervision of securities trading and prevention of the use of inside information, a timeframe limiting securities trading of directors and staff has been stipulated by the Bank. Regulations on the prevention of the use of inside information have been regularly disseminated to directors, staff and related personnel through various operating channels of the Bank.

## **Business Ethics**

The Board of Directors has promoted the establishment of a Statement of Business Conduct and a Code of Conduct for directors and employees. All directors, executives and employees share common goals in carrying out their designated duties, and are held accountable to the Bank and its stakeholders. They have performed their duties with integrity, in compliance with governing laws and regulations of the Bank, based on professional standards. The Bank respects an approach to run business that is transparent, honest and fair, and adheres to the development of the organization to attain international standards, and disseminates this approach via the Bank's website and its central database.

The Bank Statement of Business Conduct includes:

1. Strive to achieve customer satisfaction by offering quality products and excellent services.
2. Continually strive for superior performance.
3. Attract and recruit people with skills and experience, develop human resources continually and offer remuneration comparable to that of other leading companies, as the Bank recognizes its employees as valuable assets.

4. Perform one's duties as a good corporate citizen, conduct business with impartiality and contribute to social enhancement and environmental preservation.

5. Be fair to all.

6. Believe in strong ethical standards and be determined to carry out business with integrity.

7. Protect customers and maintain the trust placed in the Bank using professional standards.

8. Be dedicated to carrying out responsibilities in a professional manner and strive to achieve excellent results by integrating modern approaches and technological advances harmoniously.

9. Respect the equal rights of all stakeholders.

10. Be committed to discipline in business execution and ensure that all business decisions and operations conform to related laws and regulations by pursuing the Statement Business Conduct of the Bank and Code of Conduct of the employees.

Significant content in the Statement of Business Conduct includes 1) key principles and core values set by the Bank; 2) respect for, and compliance with laws and the Bank's regulations; 3) good relations with customers; 4) good relations with the society; 5) good relations with employees; 6) advertising and public relations policy; 7) confidentiality of information; 8) completeness & accuracy of information; 9) avoidance of the use of inside information in equity trading; 10) prevention of conflict of interest; 11) abstention from bribes and inappropriate incentives; 12) non-involvement in political activities; 13) avoidance of accepting or offering inappropriate gifts and/or benefits; and, 14) report on employees' violations of the Code of Conduct. In this Statement of Business Conduct, the Bank has designated the basic principles concerning the execution of duties and compliance with professional standards by directors and employees. The details of this policy can be viewed at the KBank website.

Moreover, the Bank identifies important rules and practical guidelines that are in accordance with the Code of Conduct on which detailed approaches have been

disseminated to employees. The Bank also supports the practical implementation of the Code of Conduct throughout KGroup, and has enforced regulations that are consistent with business and compliance responsibilities.

Also, the Bank has established the compliance unit to monitor employees' actions as stated in the Code of Conduct. In addition, certain activities have been launched to promote ethical behavior, within a culture of corporate governance. Best practices and actions in line with the Code of Conduct have been disseminated to all employees regularly, continuously and effectively, and these activities have been reported to the Corporate Governance Committee for acknowledgement. These actions can be described as:

- Certification to abide by the Code of Conduct by all employees every year.
- Inclusion of corporate governance and Code of Conduct presentation in every orientation program for its newly recruited personnel.
- Distribution of pocket calendar printed with the Statement of Corporate Governance Principles and Statement of Business Conduct to all employees.
- Communication on the Code and the Statement of Corporate Governance Principles through email under the title "CG Knowledge".
- Actions in compliance with the Bank's Corporate Governance principles have been disseminated to directors, employees and customers via the K-Connect magazine.
- Communication to all employees to promote compliance with the Code of Conduct through KASIKORN BANK closed-circuit TV programs - also known as KASIKORNTV - in order to promote general understanding towards actions stipulated in the Statement of Corporate Governance Principles.
- Communication via KASIKORN BANK GROUP Newsletter, which is circulated within the Bank, in the forms of articles, descriptions and a question-and-answer column on issues pertaining to the Code of Conduct.

- Activities organized via the electronic networks of KASIKORN BANK, notably communication on the Statement of Business Conduct and the Statement of Corporate Government Principles on the “Welcome” Page and the “Quotes of the Week” on the Code of Conduct.

- Communication to directors and employees on the criteria for the use of inside information related to securities trading.

- Communication to all employees on policy and procedure relating to the acceptance of gifts in compliance with the Code of Conduct.

- Self-assessments and tests of knowledge pertaining to the Code of Conduct on employees through an electronic system. The purpose is to collect useful data to improve corporate governance compliance supervision more effectively and appropriately.

## **Balance of Authority by Non-Executive Directors**

The election of members of the Board of Directors follows the resolutions of shareholders' meetings, as well as the rules and regulations, and Articles of Association of the Bank. As of December 31, 2006, the Board of Directors comprised 15 members, including 2 Executive Directors, 6 Non-Executive Directors, and 7 Independent Directors that account for 47 percent of the Board members in total. This is aimed at maintaining a balance between control and management. Binding agreements of the Bank must be signed by two authorized directors and affixed with the Company seal. The primary authorized directors with signatory authority on behalf of the Bank are Mr. Banyong Lamsam, or Mr. Banthoon Lamsam, or Dr. Prasarn Trairatvorakul, or Ms. Sujitpan Lamsam. Any one of these persons shall have to co-sign with any of the following Directors, i.e., Pol. Gen. Pow Sarasin, or Mr. Sukri Kaocharern, or M.R. Yongswasdi Kridakon, or Dr. Abhijai Chandrasen.

The Bank has defined the meaning of “Independent Director” in conformity with the Statement of Corporate Governance Principles of the Stock Exchange of Thailand, the requirement of the Bank of Thailand on the Structure of

Directors for Promoting Corporate Governance at Commercial Banks, and the guidelines of the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand to create confidence among investors, and to maintain a balance in good management. The Bank has therefore defined “Independent Director” as any director who does not take part in the management of the Bank, affiliated company or associated company; is independent from the management or controlling shareholders; and has no business relationship with the Bank in any way that may impact their independence in decision-making. The qualifications of “Independent Directors”, which have been defined more restrictively than the criteria set by the Stock Exchange of Thailand, are:

1. An Independent Director must not hold more than 0.5 percent of the Bank's shares with voting rights in the Bank, or those of any affiliated or associated company.

2. An Independent Director must not take part in management and not be an employee, staff member, or adviser who receives a regular salary, nor is an auditor, lawyer, or other professional who by virtue of their profession might be affected in terms of giving impartial opinions to the Bank, affiliated or associated company. Furthermore, the Independent Director must not have other such control over the Bank, affiliated or associated company, nor be compromised by a conflict of interest, except in cases where the candidate had resigned from any such position at least one year prior to appointment.

3. An Independent Director must have no direct or indirect business relationship that would restrict the Director's independence and impartiality in an amount or value significant to the Bank's income, nor benefit from the finance or management of the Bank, affiliated or associated company, nor be compromised by a conflict of interest that could prevent him or her from giving an unbiased opinion.

4. An Independent Director must not be a close relative of any member of senior management or majority shareholder of the Bank, affiliated or associated company, nor be a person with a conflict of interest. Nor shall the

Director be a representative of another director acting to safeguard the interests of the director or majority shareholder.

## Separation and Integration of Key Positions

The Chairman of the Board of Directors is not the same person as the Chief Executive Officer. He is neither a regular employee, nor an executive of the Bank. The Bank has clearly set the scope of duties, responsibilities, and governance authority in the Board of Directors Charter for each of the above positions. If and when the Chairman and the Chief Executive Officer are related in any way, the Board shall nominate a senior director who is an independent director to perform specific functions, where necessary, that would be expected of an independent Chairman of the Board of Directors.

## Board of Directors

The Board of Directors of KBank, according to the certification of the Ministry of Commerce, dated October 17, 2006, comprises 15 members, consistent with the Bank of Thailand's directives concerning board structure to enhance the good corporate governance of commercial banks, including:

- 2 Executive Directors
- 6 Non-Executive Directors
- 7 Independent Directors

The members of the Board of Directors are qualified persons who have experience beneficial to the Bank. They are:

1. Mr. Banyong Lamsam  
Chairman
2. Pol. Gen. Pow Sarasin  
Vice Chairman
3. Mr. Banthoon Lamsam  
Executive Director
4. Dr. Prasarn Trairatvorakul  
Executive Director

5. Mr. Sukri Kaocharern  
Director
6. M.R. Sarisdiguna Kitiyakara \*  
Director
7. M.R. Yongswadi Kridakon  
Director
8. Mr. Somchai Bulsook \*  
Director
9. Ms. Sujitpan Lamsam  
Director
10. Prof. Khunying Suchada Kiranandana \*  
Director
11. Dr. Abhijai Chandrasen  
Director
12. Mr. Charles L. Coltman, III \*  
Director
13. Ms. Elizabeth Sam \*  
Director
14. Mr. Chaisak Saeng-Xuto \*  
Director
15. Dr. Schwin Dhammanungune \*  
Director

\* *Independent Directors*

## Roles and Responsibilities of the Board of Directors

The Board of Directors holds responsibilities for all the Bank's shareholders. Each director represents all shareholders and takes part in supervisory and regulatory functions in the Bank's operations, in an independent and impartial manner, for the benefits of all shareholders and other stakeholders.

The Board has roles and responsibilities stated in the Board of Directors' Charter, which are:

1. Supervise and manage the Bank so that it is in accordance with laws and the Bank's objectives, the Articles of Association and the resolutions of Shareholders' Meetings.
2. Approve the Vision, Mission, Values and Statement of Business Conduct.

3. Review and discuss Management's proposed strategy options and approve major discussions with respect to direction and policies. The Board also reviews and approves Management's initial annual Business Plan and Capital Expenditure Budget, other performance goals, as well as all the major initiatives central to the achievement of those goals.

4. Monitor the Bank's performance and progress in achieving set objectives as well as compliance with laws, regulations and related policies.

5. Supervise and review the balance between the Bank's short-term and long-term objectives.

6. Ensure that the Bank shall vest in the Chief Executive Officer and the President the authority to initiate, commit and approve payments for all expenditures approved in the Capital Expenditure Budget, and other budgets approved by the Board for the purpose of special projects. The Board shall also review any credit proposal over the established limits of operational authority, prior to any approval.

7. Review and approve the human resources policies, management development plans and remuneration policy. The Board shall nominate and select successors to the Chief Executive Officer and the President, as well as appraising their performance and ensuring that concise performance assessments are undertaken for Bank executives.

8. Ensure the existence of an effective internal control system and appropriate risk management framework.

9. Ensure an effective audit system executed by both internal and external auditors.

10. Approve quarterly and annual financial reports; ensure that there is high quality financial reporting to shareholders.

11. Ensure that the Bank has a proper system in place to communicate effectively with all stakeholders and the public.

### **Selection of Board Members**

The Bank has established the Human Resources and Remuneration Committee to select and review persons nominated for the positions of directors, the Chief Executive Officer or the President. The Committee will consider qualified

persons not having characteristics prohibiting them from working as a director of a commercial bank, or securities company based on the criteria of the Bank of Thailand, the Securities and Exchange Commission, the Stock Exchange of Thailand or other related agencies. They must individually have the qualifications, skills, knowledge and basic experience defined by the Bank. The proportion, amount and composition of committees are taken into consideration appropriately and must conform to the primary principles of regulatory statutes and laws, Articles of Association and the Bank's Corporate Governance Principles. The Bank gives shareholders the opportunity to propose candidates for election to such positions, according to criteria and procedures specified. The Human Resources and Remuneration Committee may propose that the Board of Directors set up a specific committee comprising the Bank's Directors or external personnel to undertake the duty of nomination. If there is no suitable person available, the nomination process will be restarted and new qualified applicants will be proposed. For nomination of Independent Directors, the Human Resources and Remuneration Committee will consider qualified persons who do not have characteristics prohibiting them from working in any such position as prescribed by the regulations of the Bank of Thailand and other official agencies that regulate the Bank. Qualified personnel will be proposed to General Meetings of the Shareholders to elect them individually. After the shareholders' meeting has passed a resolution to appoint a director, responsible units must register the change of director, and/or report to concerned official agencies within a defined period of time. The Bank also organizes orientations for elected directors to provide information on their roles and responsibilities, as well as information related to the Bank's regulations and its committees, the Bank's core policies and the manual for financial institution directors, as a process to promote understanding among directors about their roles and the Bank's business operations.

## **Appointment and Removal of Directors of the Board**

1. The Bank's shareholders shall appoint not less than 7 and not more than 18 directors, whereby not fewer than half of all directors shall reside in the Kingdom of Thailand. The director may or may not be a Bank shareholder. Directors shall be elected by a meeting of shareholders in accordance with the following rules and procedures:

- (1) Directors shall be elected individually.
- (2) Each shareholder shall have one vote per share held by them.
- (3) Each shareholder shall use all of his/her votes in the election of directors.
- (4) Persons receiving the highest number of approving votes among all candidates shall be elected in a respective order, in proportion to the number of positions to be filled at the meeting.
- (5) In the event of a tied vote on candidates for the last opening for a director, the chairman of the meeting shall have the deciding vote.

2. At each General Meeting of Shareholders, one-third of the Directors, or, if their number is not a multiple of three, then the number nearest to one-third must retire from office. The directors who have been in the office longest shall retire first. If there is disagreement as to who should retire, it shall be decided by drawing lots. The retiring Directors may be re-elected.

3. Any director who passes away, or tenders his/her resignation prior to the end of his/her term, or is resolved to be removed by a meeting, or ordered by a Court of law to resign, shall be removed from the office immediately.

4. If a vacancy in the Board of Directors occurs for reasons other than the expiration of the director's term of office, the remaining Board members shall elect a person who has the proper qualifications, but has no prohibited characteristics, as a substitute director at the next meeting of the Board of Directors, unless the remaining term of office of said director is less than two months. Such resolution

by the Board of Directors shall require not less than three-fourths of the remaining directors' votes for approval. The substitute director shall hold office only for the remaining term of the director whom he or she replaces.

## **Empowerment by the Board of Directors**

The Bank's Chairman and Vice Chairman may approve the empowerment of executive authority to the Bank's Chief Executive Officer or President to legally act on behalf of the Bank in conducting transactions up to a limit of Baht 3,000 million per transaction. Either the Chief Executive Officer or President may delegate this authority to a Bank employee to act on behalf of the Bank within the limits of each employee's responsibility. For transactions over the said limit, the Board shall review and approve the limit of such transaction on a case-by-case basis.

## **Executive Authority of the Bank**

In addition to the aforementioned empowerment of executive authority, the Bank has also established a set of criteria and plans for exercising internal executive authority. These principles help the Bank to delegate authority among employees in various positions, enabling them to perform specific functions and make effective decisions with flexibility, but within the confines of an appropriate control system. Internal executive authority is categorized into 3 areas:

- (1) Executive authority shared by various authorities
- (2) Departmental/office executive authority
- (3) Branch executive authority

## **Principles**

The following are the main points of the structure and content of the internal executive authority:

(1) The empowerment of executive authority is the distribution of the Chief Executive Officer's and/or President's authority to administer and execute various tasks within the Bank to the next lower level of management.

(2) The Chief Executive Officer and/or the President are assigned by the Board of Directors to approve the internal executive authority and its principles.

(3) Internal executive authority shall include:

3.1 Executive authority involving approvals and instructions that are intended towards financial and non-financial transactions for internal management within the department or unit according to their assigned duties.

3.2 Executive authority involving disbursements must be within the limit of the Bank's approved budget.

(4) For complete control, executive authority is divided into categories according to their operational functions, as follows:

4.1 Executive authority shared among various entities refers to authority that is not assigned specifically to any one particular entity, but may be specified according to the work performed by those employing such authority in various departments. This includes:

4.1.1 Executive authority relating to human resources.

4.1.2 Executive authority relating to expenditures.

4.1.3 Executive authority to quote exchange rates and offer fee and interest rate discounts to domestic and foreign businesses.

4.1.4 Executive authority to provide service to customers in export-import businesses.

4.1.5 Executive authority of the Assets and Liabilities Management Sub-Committee.

4.1.6 Executive authority relating to credit approval and the authority in debt restructuring.

4.1.7 Executive authority relating to other aspects.

4.2 Departmental executive authority is executive authority delegated to a specific department relative to its business activities and is being delegated to the management of that group

or department, as well as to individuals in various positions in the related department(s).

4.3 Branch executive authority is the authority delegated to a specific branch relative to its business activities, being delegated to Network Managers, Regional Managers and Branch Managers, as well as individuals in various positions in the branch.

(5) The principles of executive authority are established and presented in tabular form to ensure that the management and staff at all operational levels understand and perform according to their delegated approval authority and risk management limits.

## Board Meetings

The Board schedules Board Meetings for every last Thursday of the month, and, in addition, may hold special meetings as deemed appropriate. Each director is free to propose an issue as a meeting agenda item. The agenda for Board Meetings shall be categorized into groups clearly and include other agenda items to monitor operations of the Bank on a regular basis. The designation of the agenda must have undergone the consideration of Chairman of the Board, the Chief Executive Officer and the President. The Secretary to the Board shall arrange a Notice of the Board Meeting, agenda and related documents to be delivered to each Director at least 7 days in advance, except in cases of urgency, to allow sufficient time for the Board to study the matters at hand. During the meeting, the Chairman will allocate sufficient time and support directors in expressing freely their opinions. Each item of agenda and resolution is recorded in writing, and the Minutes of the Board Meeting are certified by the Board and filed for examination by the Board, or others concerned.

Moreover, the Board also has a policy for non-executive Directors to conduct meetings without the participation of executive Directors to offer them the opportunity to discuss problems and evaluate the performance of the Chief Executive Officer and the President.

In 2006, the Board held totally 12 Board meetings and 1 meeting of non-executive Directors. Details of each Director's attendance appeared under the item of Meeting Attendance of each Committee of 2006.

### **Advisers to the Board of Directors**

The Board of Directors appointed several qualified persons to act as Advisers to the Board of Directors, comprising:

1. Mr. Pirote Lamsam
2. Mr. Chaleo Yoovidhya
3. Mr. William Mark Evans
4. Dr. Tian Suning

### **Roles and Responsibilities of the Advisers to the Board of Directors**

Roles and responsibilities of the Advisers to the Board of Directors are to make recommendations to the Board of Directors in matters that are relevant to and within the authority and responsibilities of the Board of Directors. These include, for example, the Bank's policies, or issues that require compliance with established laws and regulations, as well as on other important business that, once undertaken, may cause significant changes to, or clearly impact, the Bank's operations.

## **Board Committees**

The Board of Directors has appointed directors who have knowledge and skills that are suitable for memberships in Board Committees whose specific duties are to pre-screen matters that need detailed attention prior to proposal before the Board of Directors. The Board Committees include the Audit Corporate Governance, Human Resources and Remuneration, and Risk Management Committees. The Bank also has the Management Committee consisting of the Chief Executive Officer, the President and a number of executives to manage and operate the Bank's business as defined by the Board. In addition, certain directors have been appointed as Advisory Directors to the Management Committee, with the duty of providing expert consultations as the Board deems appropriate.

Moreover, the Bank has also appointed nine Sub-committees to consider and review the scope of work designated to them.

### **1. Audit Committee**

The Board of Directors approved the establishment of the Audit Committee on June 25, 1998. Each member has a 3-year term. The Committee must have at least three independent members. At present, there are four members and at least one of them must have specific knowledge, understanding and experience in accounting and finance.

The Audit Committee members are:

1. M.R. Sarisdiguna Kitiyakara  
Chairman
2. Mr. Somchai Bulsook  
Member
3. Prof. Khunying Suchada Kiranandana  
Member
4. Ms. Elizabeth Sam  
Member
5. Mr. Vasant Chariyatantiwate  
Secretary

The Committee holds meetings and reviews operations regularly per its charter. In 2006, the Committee held a total of eleven meetings and reported all meeting resolutions to the Board.

### **Roles and Responsibilities of the Audit Committee**

The Audit Committee has duties and responsibilities mandated in the Audit Committee Charter approved by the Board of Directors:

1. Review the Bank's quarterly, semi-annual and annual financial statements with the Bank's Financial and Control Division, as well as jointly review the findings with the Bank's external auditor. This ensures that the financial statements accurately and reliably reflect the financial status of the Bank, as well as complying with accounting standards, laws and standards related to the Bank.

2. Review the effectiveness and adequacy of all risk management processes and the internal control system by discussing and evaluating operational results of the Bank's internal and external auditors.

3. Review the Bank's operations to ensure that they are compliance with the Securities and Exchange Act, Stock Exchange of Thailand regulations, as well as relevant commercial banking business laws and regulations.

4. Review the effectiveness and adequacy of the internal audit system.

5. Evaluate operational results of the Bank's external auditors, consider and propose to the Board of Directors the appointment of the Bank's external auditors each year, and consider the proposed audit fees.

6. Review related transactions and consider disclosures of information on related transactions, or any financial transaction that might imply a conflict of interest to ensure transparency and fairness.

7. Prepare reports on Audit Committee meetings and activities after each meeting, and submits these to the Board of Directors, as well as producing an annual report summarizing the work of the Audit Committee – signed by the Chairman of the Audit Committee – to be included in the Bank's Annual Report.

8. Consult with executives or outsourced experts concerning items or activities that the Board of Directors might deem related to the Bank's supervision duties.

9. Review its charter and the previous year's performance at least once a year, taking the assessments and opinions of the Chairman of the Board of Directors into account.

## **2. Corporate Governance Committee**

The Board of Directors approved the establishment of the Corporate Governance Committee on April 3, 2002. Each member has a 3-year term. The committee comprises at least three members. At present, there are two non-executive directors and one independent director:

1. Pol. Gen. Pow Sarasin

Chairman

2. Mr. Sukri Kaocharern

Member

3. Mr. Chaisak Saeng-Xuto \*

Member

4. Ms. Sumonthip Otrakul

Secretary

\* Appointed on October 26, 2006 to replace Prof. Dr. Yongyuth who resigned from the committee.

In 2006, the Corporate Governance Committee held five meetings and has reported all meeting resolutions to the Board of Directors.

## **Roles and Responsibilities of the Corporate Governance Committee**

The Corporate Governance Committee has duties and responsibilities mandated in the Corporate Governance Committee Charter approved by the Board of Directors:

1. Establish the principles and key rules for effective corporate governance that suits the Bank.

2. Develop and disseminate these principles and best practices in good corporate governance.

3. Formulate the Statement of Business Conduct and the Code of Conduct for the Bank's employees, and disseminate them as practical guidelines to all concerned, as well as for public information.

4. Develop and set up a plan for supervision of the corporate governance's compliance.

5. Review announcements concerning good corporate governance to summarize and present in the Bank's reports.

6. Recommend 'best practices' to the Board of Directors and propose guidelines for inclusion in the Board of Directors Charter, as well as other Board Committee Charters.

7. Recommend a Statement of Business Conduct to set the tone of the Bank's business practices, and a Code of Conduct for the Bank's management and personnel to follow.

8. Review corporate governance guidelines and corporate governance in practice to ensure consistency and compatibility with the Bank's business.

9. Review and propose public announcements related to corporate governance issues.

10. Review and report to the Board of Directors matters related to corporate governance, give the opinions on practical guidelines and suggest improvements, as deemed appropriate.

11. Oversee good corporate governance at the Bank to ensure good corporate governance practice.

### **3. Human Resources and Remuneration Committee**

The Board approved the establishment of the Human Resources and Remuneration Committee on April 3, 2002. Each member has a 3-year term. The committee comprises at least three non-executive Directors. At present, there are three members; two of them are independent directors, including the Chairman of the Human Resources and Remuneration Committee, and a non-executive director. They include:

1. Dr. Schwin Dhammanungune

Chairman

2. M.R. Yongswasdi Kridakon

Member

3. Mr. Chaisak Saeng-Xuto

Member

4. Mr. Somkiat Sirichatchai

Secretary

In 2006, the Human Resources and Remuneration Committee held seven meetings and has reported all meeting resolutions to the Board of Directors.

### **Roles and Responsibilities of Human Resources and Remuneration Committee**

The Human Resources and Remuneration Committee has duties and responsibilities mandated in the Human Resources and Remuneration Committee Charter approved by the Board of Directors:

1. Review and recommend proposals of the Chief Executive Officer and/or the President relating on human resources policies for the Board of Directors' endorsement, so that they are aligned with the Bank's business strategies.

2. Ensure that a succession plan for senior management in specific positions and a list of candidates entitled to consideration are reviewed from time to time.

3. Review the remuneration strategy and propose improvements for the Board's endorsement, as well as review the salaries and benefits to senior management.

4. Establish the terms and conditions for the President and the Chief Executive Officer's employment contracts, their remuneration, as well as seek and recommend qualified successors to the President and the Chief Executive Officer, when necessary.

5. Review the composition, size, experience and remuneration of the Board of Directors, as well as select and recommend candidates with proper qualifications to the Board prior to further submittal to a General Meeting of Shareholders for appointment.

### **4. Risk Management Committee**

The Board of Directors approved to change the status of the former Internal Risk Management Sub-committee to the Risk Management Committee on April 29, 2004. Each member has a 2-year term and the Committee must comprise at least 7 members. At present, the committee comprises eleven members, two of which are Executive Directors, plus one Non-executive Director and eight Bank executives, namely:

1. Mr. Banthoon Lamsam

Chairman

2. Dr. Prasarn Trairatvorakul

Member

3. Ms. Sujitpan Lamsam

Member

4. Dr. Piengchai Pookakupt

Member

5. Mr. Boontuck Wungcharoen

Member

- 6. Mr. Sasawat Virapriya  
Member
- 7. Mr. Teeranun Srihong  
Member
- 8. Mr. Krisada Lamsam  
Member
- 9. Mr. Surasak Dudsdeemaytha  
Member
- 10. Mr. Chartchai Sundharagiati  
Member
- 11. Mr. Prasopsuk Damrongchietanon  
Member and Secretary

In 2006, the Risk Management Committee held 13 meetings and reported to the Board of Directors per their assigned duties. The committee ensures that the Bank has an effective risk management system for early warning, and sets measures to prevent and manage risks, including risks that affect operations. They also oversee compliance with risk management practices according to relevant policies, and prepare a risk management report.

### **Roles and Responsibilities of the Risk Management Committee**

The Risk Management Committee has duties and responsibilities as mandated in the Risk Management Committee Charter approved by the Board of Directors:

1. Posses the authority to make decisions on related operations within the scope of responsibility defined for them in the Risk Management Committee Charter, with authority to access all pertinent information.

2. Define risk management policies for the Bank and subsidiaries as well as present such matters to the Board of Directors for their consideration. These policies must cover the various risks associated with strategies, liquidity, credit, market, operation or other significant types of risk to the Bank.

3. Formulate strategies for the organization and resources used by the Bank and subsidiaries' in risk management to conform with the risk management policies of the Bank. These strategies must enable the effective analysis, assessment, evaluations, and monitoring of the Bank's risk management.

4. Define maximum credit lines according to the Bank's defined risk appetite and propose these limits to the Board of Directors for consideration.

5. Monitor, review and propose to the Board of Directors risk management policies, standard practices, strategies and an overall risk management system that can ensure that risk management procedures are effectively implemented.

### **5. Advisory Directors to the Management Committee**

The Board of Directors and the 88th Annual General Meeting of Shareholders on April 4, 2000, approved the establishment of the Advisory Directors to the Management Committee, comprising five directors, namely:

- 1. Mr. Banyong Lamsam
- 2. Pol. Gen. Pow Sarasin
- 3. Mr. Sukri Kaocharern
- 4. M.R. Yongswasdi Kridakon
- 5. Dr. Abhijai Chandrasen

### **Roles and Responsibilities of the Advisory Directors to the Management Committee**

- 1. Give recommendations to the Management Committee as the Board of Directors deems appropriate.
- 2. Ensure efficiency of the Bank's management and operations.

## **6. Management Committee**

The Board of Directors and the 88th Annual General Meeting of Shareholders, on April 4, 2000, approved the establishment of the Management Committee. At present, it comprises eight members, namely:

1. Mr. Banthoon Lamsam  
Chairman
2. Dr. Prasarn Trairatvorakul  
Member
3. Dr. Piengchai Pookakupt  
Member
4. Mr. Boontuck Wungcharoen  
Member
5. Mr. Somkiat Sirichatchai  
Member
6. Mr. Krisada Lamsam  
Member
7. Mr. Teeranun Srichong  
Member
8. Mr. Sasawat Virapriya  
Member

In 2006, the Management Committee held a total of 51 meetings and has reported all meeting resolutions to the Board of Directors.

### **Roles and Responsibilities of the Management Committee**

The Management Committee has duties and responsibilities as mandated in the Management Committee Charter approved by the Board of Directors:

1. The Management Committee shall have the responsibility of managing and undertaking the Bank's business as assigned by the Board of Directors, or by specific resolutions of the Board of Directors.
2. The Management Committee shall have the authority to manage the Bank's business according to established policies and plans.
3. The Management Committee shall have authority delegated to them by the Board of Directors, and per their mandated management jurisdiction over the Bank.

4. Management Committee Chairman shall submit the Minutes of Management Committee Meetings to the Board of Directors for acknowledgement. However, policy-related issues, or issues likely to have significant impact on the Bank's business, or issues requiring action by the Board of Directors in compliance with laws or the Bank's Memorandum of Association must first be approved by the Board of Directors. This also includes issues that the Management Committee considers appropriate to require an approval by the Board of Directors on a case-by-case basis, or per the criteria designated by the Board of Directors.

5. The Management Committee shall have the responsibility and authority to undertake activities in order to achieve the Bank's targets, including:

- 5.1 Preparation and review of strategic objectives, financial plans and key policies of the Bank, to be submitted to the Board of Directors for approval.
- 5.2 Consideration of the annual business plans, capital expenditures, performance targets, and other initiatives to achieve the Bank's targets, including projects with capital expenditures in excess of budgets designated by the Board of Directors, to be submitted to the Board of Directors for approval.
- 5.3 Consideration and approval of other issues placed under their legitimate authority or as delegated by the Board of Directors.
- 5.4 Review of management authority in various aspects stipulated in the approval authority hierarchy, to be submitted for approval by the Board of Directors.
- 5.5 Management of a balance between short-term and long-term objectives.
- 5.6 Develop and ensure that the human resources initiatives are in line with the human resources strategies approved by the Human Resources and Remuneration Committee.

- 5.7 Appoint, monitor and evaluate the performance of employees from the level of Department Head down to Middle Management, including the recruitment of successors.
- 5.8 Monitor and report the Bank's operating results to the Board of Directors as well as on other work in progress to achieve the Bank's objectives.
- 5.9 Monitor the performance of employees at all levels with regard to risk management per Bank policies, including the effectiveness of internal control system, plus operational compliance with related laws, rules and regulations.
- 5.10 Review new projects and products, to be submitted to the Board of Directors for consideration and approval.
- 5.11 Communicating with stakeholders per their delegated authority as deemed appropriate.

## **Selection of Management**

The Management Committee is responsible for reviewing qualified candidates to be appointed as the Bank management at the level of First Senior Vice President and above, to be submitted to the Human Resources and Remuneration Committee thereafter to be passed on to the Board of Directors for approval. As for the appointment of management positions of lower ranking, Division Heads and Human Resource Management Department shall prepare qualified candidates to be nominated and approved by the President, or the Chief Executive Officer.

## **7. The Sub-Committees**

The sub-committees' roles are to review and manage various matters within the Bank to ensure fairness, propriety, effectiveness and the highest efficiency of the Bank.

The Bank has reviewed and approved the appointment of nine sub-committees, namely the -

1. Information Technology Sub-Committee
2. Assets and Liabilities Management Sub-Committee
3. Corporate and Medium Business Debt Recovering and Restructuring Sub-Committee
4. Retail and SME Debt Recovery and Restructuring Sub-Committee
5. Foreclosed Property Management Sub-Committee
6. Information Infrastructure Sub-Committee
7. Product Pricing Sub-Committee
8. Retail and Sales Network Pricing Sub-Committee
9. Credit Policy Sub-Committee

### Meeting attendance of each committee in 2006

Board Members	Board of Directors	Non-Executive Directors	Corporate Governance Committee	Risk Management Committee	Audit Committee	Human Resources and Remuneration Committee
	(Total 12 meetings)	(Total 1 meeting)	(Total 5 meetings)	(Total 13 meetings)	(Total 11 meetings)	(Total 7 meetings)
Mr. Banyong Lamsam	12	1				
Pol. Gen. Pow Sarasin	12	1	5			
Mr. Banthoon Lamsam	12			3		
Dr. Prasarn Trairatvorakul	12			13		
Mr. Sukri Kaocharern	12	1	4			
M.R. Sarisdiguna Kitiyakara	11	1			11	
M.R. Yongswadi Kridakon	8	1				4
Mr. Somchai Bulsook	12	1			9	
Ms. Sujitpan Lamsam	11	1		11		
Prof. Khunying Suchada Kiranandana	12	1			10	
Prof. Dr. Yongyuth Yuthavong <sup>(1)</sup>	9	1	4			
Mr. Charles L. Coltman, III	12	1				
Dr. Abhijai Chandrasen	12	1				
Ms. Elizabeth Sam	12	1			10	
Mr. Chaisak Saeng-Xuto	12	1	1			7
Dr. Schwin Dhammanungune	12	1				7
Dr. Tian Suning <sup>(2)</sup>	0					

Remark: <sup>(1)</sup> Prof. Dr. Yongyuth Yuthavong resigned from the Board of Directors on October 8, 2006.

<sup>(2)</sup> Dr. Tian Suning resigned from the Board of Directors on February 23, 2006.

- The number of members of each committee (As of December 31, 2006)

The Board of Directors	15 members
Corporate Governance Committee	3 members
Risk Management Committee	11 members (Inclusive of 3 Board members)
Audit Committee	4 members
Human Resources and Remuneration Committee	3 members

- Details of meeting attendance through teleconferencing systems of each Committee --

The Board of Directors

Mr. Banthoon Lamsam	1 meeting
Ms. Sujitpan Lamsam	5 meetings
Mr. Charles L. Coltman, III	9 meetings
Ms. Elizabeth Sam	4 meetings

Non-Executive Directors

Ms. Sujitpan Lamsam	1 meeting
Ms. Sujitpan Lamsam	11 meetings

Audit Committee

Ms. Elizabeth Sam	9 meetings
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- Three Board members: Mr. Charles L. Coltman, III, Ms. Elizabeth Sam and Ms. Sujitpan Lamsam do not reside in Thailand.

## Remuneration to Directors and Executives

The Bank has established a set of well-defined and transparent remuneration policies for Directors. The Human Resources and Remuneration Committee is responsible for reviewing these policies by taking into consideration the appropriateness of remuneration with respect to the obligations and responsibilities of each director, and the Bank's financial status, to ensure that remuneration is comparable to other commercial banks. A member of a committee who is also a member of other committees shall receive additional remuneration according to their increased responsibilities. The Bank has already received approval on its remuneration policies from Annual General Meeting of Shareholders No. 94, dated April 7, 2006.

The remuneration to the Management is paid according to the policies and criteria set by the Board of Directors. It is tied directly to the performance of the Bank and each individual performance. The Human Resources and Remuneration Committee shall propose to the Board of Directors for consideration.

### Remuneration for Directors in 2006

Mr. Banyong Lamsam	Received remuneration for Chairman and Advisory Director to the Management Committee, totaling Baht 7,086,000, plus a bonus of Baht 2,300,170.
Pol. Gen. Pow Sarasin	Received remuneration as Vice Chairman and the Advisory Director to the Management Committee, totaling Baht 5,290,500; and as Chairman of the Corporate Governance Committee amounting to Baht 387,000, plus a bonus of Baht 1,725,130.
Mr. Banthoon Lamsam	Received remuneration totaling Baht 903,000, plus a bonus of Baht 1,150,080.
Dr. Prasarn Trairatvorakul	Received remuneration totaling Baht 903,000, plus a bonus of Baht 1,150,080.
Mr. Sukri Kaocharern	Received remuneration as a Director and Advisory Director to the Management Committee, totaling Baht 2,103,000; and as a Member of the Corporate Governance Committee, amounting to Baht 258,000, plus a bonus of Baht 1,150,080.
M.R. Sarisdiguna Kitayakara	Received remuneration as a Director totaling Baht 903,000; and as Chairman of the Audit Committee, amounting to Baht 774,000, plus a bonus of Baht 1,150,080.

Details of remuneration to directors and executives are as follows:

#### 1. Financial Remuneration

1.1 Directors' remuneration: In 2006, 17 directors received remuneration for directors, for the Advisory Directors to the Management Committee, Members of the Audit Committee, the Corporate Governance Committee, the Human Resources and Remuneration Committee, and as the Legal Adviser together with a bonus at the rate of 0.5 percent of the dividend, totaling Baht 57,127,550.

1.2 Remuneration for advisers to the Board of Directors totaled Baht 1,587,200.

1.3 Management remuneration: In 2006, executives from the position of Executive Vice Presidents and higher totaling 9 persons, received remuneration including salaries, living expenses, special bonuses from the Bank totaling Baht 114,744,275.

M.R. Yongswasdi Kridakon	Received remuneration as a Director and the Advisory Director to the Management Committee, totaling Baht 2,703,000; and as a Member of the Human Resources and Remuneration Committee, amounting to Baht 258,000, plus a bonus of Baht 1,150,080.
Mr. Somchai Bulsook	Received remuneration as a Director, totaling Baht 903,000; and as a Member of the Audit Committee, amounting to Baht 645,000, plus a bonus of Baht 1,150,080.
Ms. Sujitpan Lamsam	Received remuneration as a Director totaling Baht 903,000, plus a bonus of Baht 1,150,080.
Prof. Khunying Suchada Kiranandana	Received remuneration as a Director totaling Baht 903,000 and as a Member of the Audit Committee, amounting to Baht 645,000, plus a bonus of Baht 1,150,080.
Prof. Dr. Yongyuth Yuthavong <sup>1</sup>	Received remuneration as a Director totaling Baht 672,000; and as a Member of the Corporate Governance Committee, amounting to Baht 192,000, plus a bonus of Baht 1,150,080.
Dr. Abhijai Chandrasen	Received remuneration as a Director and Legal Adviser totaling Baht 4,773,000, plus a bonus of Baht 1,150,080.
Mr. Charles L. Coltman, III	Received remuneration as a Director totaling Baht 903,000, plus a bonus of Baht 1,150,080.
Ms. Elizabeth Sam	Received remuneration as a Director totaling Baht 903,000; and as a Member of the Audit Committee amounting to Baht 645,000, plus a bonus of Baht 1,150,080.
Mr. Chaisak Saeng-Xuto	Received remuneration as a Director totaling Baht 903,000; as a Member of the Human Resources and Remuneration Committee amounting to Baht 258,000, and as a Member of the Corporate Governance Committee, totaling Baht 44,000, plus a bonus of Baht 1,150,080.
Dr. Schwin Dhammanungune	Received remuneration as a Director totaling Baht 903,000 and as Chairman of the Human Resources and Remuneration Committee amounting to Baht 387,000, plus a bonus of Baht 1,150,080.
Dr. Tian Suning <sup>2</sup>	Received remuneration as a Director totaling Baht 140,000, plus a bonus of Baht 710,630.

Remarks: <sup>1</sup>Prof. Dr. Yongyuth Yuthavong resigned from the position of Director on October 8, 2006.

<sup>2</sup>Dr. Tian Suning resigned from the position of Director on February 23, 2006.

## **2. Other remuneration**

2.1 Remuneration for Directors: none

2.2 Remuneration for advisers to the Board of Directors: none

2.3 Remuneration for Executive Management:

Extraordinary Meeting of Shareholders No. 1/1999 approved the offering and issuance of 50 million units of warrants to Bank employees (excluding directors) in 3 phases of the Employee Stock Option Program (ESOP). The shareholders' delegates or other persons delegated by them shall allocate these warrants to employees by taking into consideration the competency and potential of each employee.

The warrants are irrevocable subscription certificates offered at Baht 0 (zero) per unit. Each warrant can be exercised to purchase one Baht10 (par) common share at a price of Baht 30 per share. The Bank received approval (by the Annual General Meeting of Shareholders) to offer 18.5 million units in Phase 1, of which 15,612,600 units were allocated to employees in August 2000. The first exercise date was December 28, 2001, and the final exercise date was December 30, 2005. The Bank also received approval to offer 5 million warrant units in Phase 2, of which 3,962,500 units were allocated to employees in December 2001. The first exercise date was December 30, 2002, and the final exercise date was December 29, 2006.

In Phase 3, the Bank was approved to offer 26.5 million warrants, of which 26,490,560 units were allocated to employees in December 2002. The first exercise date was December 30, 2003, and the last exercise date will be December 30, 2007. For Phase 3, the rules and conditions were revised to comply with a resolution of Annual General Meeting of Shareholders No.90 on April 3, 2002, as follows:

1. Adjustment of the exercise price from Baht 30 per share to a weighted average price from the last 5 trading days before the offering date, which was then equal to Baht 27.82 per share;

2. Adjustment of the warrant exercise dates from twice a year to four times a year. Exercise dates shall be the last business day of each March, June, September and December, until the expiration of each warrant.

Bank management-level personnel received allocations of warrants in the ratios of 7.68 percent, 11.68 percent and 11.28 percent of the total number of warrants allocated in Phase 1, Phase 2 and Phase 3, respectively. As of December 31, 2006, the total number of exercised warrants was 33,513,408 units, with 12,848,720 units from Phase 1, 2,911,580 units from Phase 2, and 17,753,108 units from Phase 3.

Furthermore, the Bank's executives at the positions of Executive Vice President and higher totaling 9 persons received remuneration derived from provident funds in 2006 totaling Baht 3,229,995.

## **Internal Control and Auditing Systems**

The Board of Directors and senior management have placed particular emphasis on an efficient internal control system and promotion of an appropriate business culture recognizing risk control as important to the Bank's overall operational activities. The Bank requires all units to comply with the Internal Control Framework as a guideline for the Bank's business operations and in employees' practices. The Audit Committee has the duty and responsibility of reviewing the effectiveness and adequacy of all risk management processes and internal control systems by discussing and evaluating operational results with internal auditors. These discussions include the internal auditors' scope of work, role and responsibilities, audit plans, and audit conclusions regarding the adequacy and effectiveness of the internal control system. Major recommendations or material deficiencies must be reported to the Board of Directors in a timely manner for effective action.

Written policies and operational procedures, training and orientation programs, and operational manual providing information on rules and regulations, a professional Code of Conduct and standardized disciplinary actions for serious offenses have been established to ensure a common understanding and capabilities that will lead to efficient, transparent and fair operations for the benefit of all

## Report of the Board of Directors

stakeholders. A regular self-assessment program is conducted within all business divisions to promote a good control environment.

Control activities are an integral part of day-to-day operations. Appropriate segregation of duties is embedded to create a proper checks-and-balances system. Potential conflict of interest is identified and subjected to careful independent monitoring.

IT database systems have continuously been upgraded to provide accurate, current, and sufficient information for timely decision-making by executive management and the Board of Directors. The data include financial, operational and compliance databases to monitor the effectiveness of internal control system for prompt corrective action against significant deficiencies. The Bank also provides effective communication channels to ensure that all employees understand and adhere to the policies and procedures affecting their duties and responsibilities.

The work of the Compliance and Audit Division is focused on the areas of high risk as determined by a risk-based assessment methodology. The scope of work includes an assessment of the operations in accordance with the directives of regulatory agencies, Bank operational procedures and the Statement of Business Conduct of the Bank, as well as an assessment of the adequacy and effectiveness of the risk management and internal control processes.

The Bank is aware that a system of effective internal controls is a critical component of Bank management and a foundation for the 'safe and sound' operations of the Bank. These features help ensure that the goals and objectives of the Bank be met, and that the Bank will achieve long-term profitability targets and maintain reliable financial and managerial reporting. Such a system can also help to ensure that the Bank will comply with laws and regulations as well as policies, plans, internal rules and procedures, and decrease the risk of unexpected losses or damage to assets and the Bank's reputation.

It is the duty of the Board of Directors to report on the Bank's operating results and major events over the past year to shareholders for their acknowledgement. Also, the Board is responsible for the risk management and internal control system to ensure that they are appropriate and effective. Pursuant to this, the Board has appointed the Audit Committee to oversee the quality of the Bank's Financial Statements and the internal control system, as well as other related processes in compliance with generally accepted accounting standards. The Audit Committee also has the task of ensuring that the Bank's financial data has been disclosed publicly and transparently. The Board of Directors has provided this report on the Bank's operations, and the Audit Committee report has been included in this Annual Report.

## Investor Relations

Realizing the importance of information disclosures, the Bank has set and supervised clear policies approved by the Board of Directors concerning communications with external parties. The objective of this policy is to ensure that disclosures of the Bank's financial and general information to shareholders, investors and the general public will be accurate, complete and timely, equally accessible to all, and in accordance with related laws and regulations. The Bank's information is disseminated via various channels:

1. The Stock Exchange of Thailand –
  - 1.1 The Annual Report
  - 1.2 The Bank's Financial Statements
  - 1.3 Notification of the Board of Directors' resolutions and other matters
2. The Office of the Securities and Exchange Commission
3. The Ministry of Commerce
4. Newspapers
5. Magazines
6. Television Stations
7. KBank IR/PR News

8. KBank website  
([www.kasikornbankgroup.com](http://www.kasikornbankgroup.com))
9. Company Visits/One-on-One Meetings
10. Non-deal Roadshows
11. Analyst Meetings
12. Press Conferences
13. Written communication to KBank shareholders by mail



Analyst Meeting at KBank's head office

The Bank has authorized the Chairman, the Chief Executive Officer, the President and the Chief Investor Relations Officer of the Corporate Secretariat Division, and/or the Head of Investor Relations in the Corporate Communications and Administration Department to publicly disseminate the Bank's information, as well as replying to the questions of investors who are the Bank's shareholders or those interested in investing in the Bank's stock. The Investor Relations Unit was established as part of the Corporate Communications and Administration Department with the objective and responsibility of handling investor relations-related activities. The unit serves as the focal point for providing information and services to shareholders, investors, analysts and credit rating agencies, both local and international. Accurate and timely information enhances the good image and reliability of the Bank to investors, as well as helping to provide services to shareholders more efficiently. The Bank established the Investor Relations Unit on May 18, 1998, being initially called the 'Investor Relations and Shareholders' Services', under the Executive Office of the Corporate Secretariat

Division. Then, on December 20, 2001, the Investor Relations and Shareholders' Services Unit was transferred to the Corporate Communications Department (CN) of the Corporate Secretariat Division. It was restructured on September 29, 2003, and the Corporate Communications Department was renamed the Corporate Communications and Administration Department, which directly supervises the Investor Relations Unit.

In 2006, the Investor Relations Unit underwent a silent period of 7 days before each of the Bank's quarterly operating results was reported to the Stock Exchange of Thailand. During that period, no information related to the Bank's performance was released to shareholders, investors or analysts and no company visits/one-on-one meetings, group analyst meetings or replies to questions related to the Bank's operating results were participated in or disclosed. This is regarded as a key policy of the Investor Relations Unit, which always strives to make the Bank's operations consistent with the Bank's corporate governance practices. As a result, it is assured that the Bank's information disclosures are transparent and equally accessible to all, especially before the report on the Bank's quarterly operating results to the Stock Exchange of Thailand.

In addition, during 2006, the Bank's executives and Investor Relations Unit personnel met with various persons to provide information their activities are as follows:

Type of Meeting	No. of Events	No. of Companies	No. of Persons
One-on-one Meetings	208	378	495
Conference Calls	38	72	77
Group Analyst Meetings	14	141	171
Roadshows	1	56	81
Total	261	647	824

Of the above figures, 20 meetings were with 191 persons from 122 companies who met with the Bank's Chief Executive Officer or the President.

In 2006, the KBank Investor Relations received recognition from the Stock Exchange of Thailand.

KBank was selected as "1 of 3 listed companies on the Stock Exchange of Thailand nominated for the Best Investor Relations of Thailand 2006" at the SET Awards 2006 ceremony on July 26, 2006. The Bank also received this award in 2005.

#### Contact Investor Relations:

Investor Relations Unit,  
Corporate Communications and Administration Department.  
E-mail: IR@kasikornbank.com

#### Contact Chief Investor Relations Officer:

Tel: 0 2470 2673 to 4  
Fax: 0 2470 2680

#### For Thai Investors, registrar:

Tel: 0 2470 2663 to 7  
Fax: 0 2470 2747

#### For International Investors:

Tel: 0 2470 2659 to 62  
Fax: 0 2470 2690

## Corporate Secretary

The Bank has assigned a Secretary to the Board who has the necessary knowledge and experience to perform in the Corporate Secretariat function. The Corporate Communications and Administration Department (CN) assists in these matters, consistent with the Statement of Corporate Governance Principles, for efficient management of the Bank.

The main duties and responsibilities of the corporate secretary include:

1. Provide basic advice pertaining to laws and regulations governing commercial banking business and the Bank's Articles of Association, monitoring compliance of actions on a regular basis, and reporting on any significant changes to the Board.

2. Arrange meetings for shareholders and meetings of the Board of Directors in accordance with laws and regulations, and the Bank's Articles of Association and procedures.

3. Prepare meeting minutes for shareholder and Board of Directors meetings, and monitoring subsequent actions for compliance with the resolutions of shareholder and Board meetings.

4. Ensure that corporate informational disclosures to regulatory agencies are in accordance with laws and regulations.

5. Inform general shareholders of their legitimate rights and disseminating the Bank's information.

6. Assist in Board activities.

## **Self-Assessment by the KASIKORNBANK Board of Directors**

The Bank has established an annual self-assessment for KBank Board of Directors. It serves as a tool for reviewing performance, issues and obstacles facing each director over the past year. It also helps strengthen working efficiency of the entire Board. Performance assessments of the Board of Directors are conducted in two ways, i.e., Performance Assessment of the Board of Directors and Self-assessment. In so doing, the Bank has developed an assessment form in line with the Statement of Corporate Governance Principles, as well as the duties and responsibilities stated under the Board of Directors Charter. The Board of Directors of KBank conducts self-assessments once a year, and the assessment results will be analyzed and evaluated to indicate achievement of objectives for self-assessment of the Board of Directors, as established by the Bank.

The self-assessment process is also applied to four Board Committees, i.e., the Audit, Corporate Governance, Human Resources and Remuneration, and Risk Management Committees, and the assessment results are presented to the Chairman of the Board for consideration.

Both the Chief Executive Officer and the President will also have to enter the self-assessment process, in order to compare the actual performance results with the Bank's goals and annual Business Plan. The Human Resources and Remuneration Committee is responsible for submitting the assessment results to Board of Directors Meeting for consideration, also specified as part of the duties and responsibilities of the Board of Directors designated in the Board of Directors Charter.

## **Appointment of External Auditors and Consideration of Audit Fees**

The Audit Committee considers the qualifications and operations of external auditors for recommendation to the Board of Directors on the appointment of the Bank's auditors, each year, including consideration of the proposed audit fees for approval by the General Meeting of

Shareholders. The list of external auditors to be proposed as the Bank's auditors must also be approved by the Bank of Thailand.

In 2006, the remuneration for external auditors included:

### **1. Audit Fees:**

The Bank and its subsidiary companies have paid audit fees to:

- Auditors of the Bank totaling Baht 8,870,000 in the past accounting year.

- The respective audit company or its independent contracted auditors, including individuals of business entities related to the auditors and the respective audit company, totaling Baht 9,515,000 in the past accounting year.

### **2. Non-Audit Fees:**

The Bank and its subsidiary companies have paid non-auditing fees, i.e., special purpose audit fees, asset valuations and consulting services irrelevant to auditing and engagement to perform agreed upon procedures to:

- Auditors of the Bank totaling Baht 1,900,000 over the past accounting year, together with future payments of Baht -0-, due on incomplete work in the past accounting year.

- The respective audit company of external contracted auditors, including individuals or business entities related to the auditors and their respective audit company, totaling Baht 45,000 over the past accounting year, together with future payments of Baht -0-, due on the incomplete work in the past accounting year.

# Factors Affecting Investment Decisions

## Legal Disputes

Other than the lawsuit incurred pursuant to an ordinary banking-business operation, KBank has no controversy against any other entities where KBank is a litigant or a concerning party and such controversy is still pending or may cause any negative impact to KBank's assets causing by the litigation with its litigated sum (excluding interest and expenses) greater than 5% of shareholder's equity according to the balance-sheet as of the latest fiscal year-end.

However, there have been pending trials that arose from normal banking business operations with litigated sum totaling to Bt 13,594 million. The executive of KBank has an opinion that all the aforementioned lawsuits will not fundamentally impair banking business operation of KBank.